

**MINUTES
of the
FOURTH MEETING
of the
ECONOMIC AND RURAL DEVELOPMENT COMMITTEE**

**September 24, 2007
Room 3, Pecos River Village Conference Center
Carlsbad, New Mexico**

**September 25, 2007
Anderson Museum
Roswell, New Mexico**

The fourth meeting of the Economic and Rural Development Committee was called to order by Senator Bernadette M. Sanchez, chair, on September 24, 2007 at 10:09 a.m. in Room 3 of the Pecos River Village Conference Center in Carlsbad, New Mexico.

Present

Sen. Bernadette M. Sanchez, Chair
Sen. Mary Helen Garcia, Vice Chair
Rep. Andrew J. Barreras (9/24)
Rep. Richard J. Berry
Rep. Jose A. Campos
Rep. Ernest H. Chavez

Absent

Sen. Dianna J. Duran
Sen. Phil A. Griego
Rep. Dianne Miller Hamilton
Sen. Clinton D. Harden, Jr.
Rep. Patricia A. Lundstrom
Sen. Richard C. Martinez
Rep. Brian K. Moore
Sen. John Pinto
Sen. William E. Sharer

Advisory Members

Rep. Nathan P. Cote
Rep. Nora Espinoza (9/25)
Rep. Daniel R. Foley (9/25)
Rep. William J. Gray
Rep. John A. Heaton
Sen. Carroll H. Leavell
Rep. John Pena
Rep. Debbie A. Rodella (9/25)
Rep. Richard D. Vigil

Sen. Stuart Ingle
Sen. Timothy Z. Jennings
Rep. James Roger Madalena
Sen. Steven P. Neville
Rep. Andy Nuñez
Sen. Lidio G. Rainaldi
Sen. Shannon Robinson
Sen. John C. Ryan

(Attendance dates are noted for members not present for the entire meeting.)

Staff

Kate Ferlic
Larry Matlock

Guests

Rep. Jimmie C. Hall
Rep. Shirley A. Tyler

The guest list is in the meeting file.

Monday, September 24**Committee Business**

Senator Sanchez began by welcoming the committee members and guests.

Bob Forrest, mayor of Carlsbad, also welcomed the committee and said that Carlsbad has four funds from the U.S. Department of Energy (DOE) and one is for economic and rural development. Mayor Forrest discussed the growth of Carlsbad, stating that 20 years ago, unemployment was at 15% and there were 500 homes for sale. Now, unemployment is at 2 to 3%, and there is a shortage of homes. He told the committee that all the buildings along the river were paid for with capital outlay money.

Wayne Bowen said that this is a big week for New Mexico with the Governor's Summit on Economic and Rural Development taking place. He said that southeastern New Mexico is doing quite well. The potash industry has full employment, and every business is trying to find workers. Oil and gas is going full-bore, and the area has been successful in dealing with the oil and gas companies. The industrial airport is also active, and a small business called Cell-Tech has come into the park with seven new employees. However, there is a lack of retail businesses and restaurants. The chamber of commerce is working with the local newspaper to target areas with high unemployment and to encourage workers to move to Carlsbad. Mr. Bowen said that training is conducted through New Mexico State University (NMSU)-Carlsbad.

Building and Construction Trades Career Opportunities

Dave McCoy of the Sheetmetal Contractors Association said that the industry needs construction attorneys. Tom Garrity of Garrity Public Relations said that the Mechanical Electrical Sheet Metal Alliance (MESA) wants to lay the groundwork for bringing workers into the field by offering apprenticeships to high school students. In response to a question from Representative Heaton, Mr. Garrity stated that the barriers to this program include insurance for students under 18 and the fact that most high schools promote college as the next step and do not encourage vocational trades. Steve Crespin of the Mechanical Contractors Association added that students who come out of "blue collar colleges", i.e., trade schools, do not have major debt like most college students. Dick Wells, IBEW Electric, said the industry wants a bona fide educational trades program and he believes that by targeting students in middle school, the dropout rates will be reduced. Mr. McCoy then explained the funding process for the program, which involves paying 43 cents for every hour worked by an apprentice or journeyman into the program fund. The state supplies \$600,000 per year, and each program will cost \$30,000. Mr. Crespin stated that what the state contributes is only a drop in the bucket

compared to the operating costs. Mr. Wells said that the industry is looking at alternative funding such as grants and setting up programs with the colleges. Representative Heaton requested that a tutorial be put together on the various funding sources and how to apply. Senator Sanchez requested a list of all the trades, the length of the programs and how much they pay.

Building Trades Program

Kelly Green, Microsoft academic program manager, said that the goals of Microsoft are digital literacy, producing an educated workforce and a better quality of life for all citizens. She said Microsoft has contributed \$2 million to meet these goals. Microsoft uses seven principles and seeks to use the schools as a catalyst for a shift in culture, curriculum and instruction to ready students for careers in the twenty-first century. Ms. Green said she works with the Microsoft Corporation, the Governor's Office, the Public Education Department (PED) and the legislature. She then highlighted several projects Microsoft is working on in areas that include Mosquero, Loving and Fort Sumner.

David Chavez, superintendent of the Loving Municipal Schools, discussed the building trades program. He said that 49% of those in the construction industries program go on into the world of work. Students commit to the program in the eighth grade because they need to obtain the math skills required for the program. Currently, 22 students are in the building trades and they partner with Habitat for Humanity in constructing homes. NMSU-Carlsbad offers college credit courses to high school students, and juniors and seniors are able to work as apprentices to journeymen. Mr. Chavez emphasized that this program gives a kids a meaningful degree.

Representative Heaton said that with enough capital outlay funding, the state could fund two houses — one in Loving and one in Carlsbad — which can then be sold to begin building up a permanent endowment. In response to a question from Senator Sanchez, Mr. Chavez said the funding plan is one of sustainability.

Bridging the Gap in Hospitality — New Mexico ProStart

Victor Martinez of the New Mexico Restaurant Association (NMRA) said that the purpose of ProStart is to prepare students for post-secondary education. NMSU is waiving 400 of the 800 hours required in the hotel, restaurant, and tourism management (HRTM) degree for students participating in ProStart. Bernalillo has a working agreement with the Hyatt Tamaya that allows students to work in its kitchen or other areas in which they might be needed. Mr. Martinez said the NMRA is trying to encourage students to stay local. He said many want to go to culinary school, which is very expensive, and subsequent jobs only pay about \$12.00 per hour. With an HRTM degree from NMSU, students gain a variety of skills in finance and management as well as culinary skills that will get them better-paying jobs upon graduation.

Allison Kuper, NMRA, said that the association is trying to bridge the gap between high school, higher education and the workforce. She said that the perception that restaurant work is a \$10.00-per-hour job is inaccurate and that there is the opportunity to travel all over the world.

Ms. Kuper said that she would like to see all schools with ProStart become full-program schools.

The committee lunch was prepared by Carlsbad ProStart students. ProStart students who cooked and served lunch to the committee were Jamie Valenzuela, Kristen King, Jacob Jones, Brant Jensen and Mariah Hughes.

Challenges of the Changing Energy Era

Art Hull, governmental affairs specialist for Public Service Company of New Mexico (PNM), presented PNM's intention to increase rates by 16 or 17%. PNM will also request the right to pass on higher costs for natural gas, which will result in an average consumer's bill increasing by 20% overall. His handout, "Challenges of the Changing Energy Era", is included in the meeting file.

PNM currently has a rate case before the Public Regulation Commission (PRC) asking for permission to increase rates. The last rate case, almost five years ago, was actually requesting permission to decrease rates. The state's demands for energy continue to increase, especially with the popularity of refrigerated air conditioning in new, larger homes.

At the same time that demand has increased, the cost of oil and natural gas have also increased. The PRC also requires at least 10% of PNM's electricity to be derived from renewable sources. PNM needs to invest \$300 million to \$400 million per year in new coal-fired power plants and wind farms in order to keep up with demand.

Sonia Phillips of Xcel noted that Xcel has a pass-through for the cost of gas, which PNM lacks. Xcel also has a rate case before the PRC.

Representative Heaton asked if PNM plans to finance nuclear plants in New Mexico. Mr. Hull responded that PNM cannot afford to build one.

The Future of Solar Energy in New Mexico

William Felsher of SkyFuels gave the committee his handout, which is in the meeting file. SkyFuels hopes to produce turn-key utility-scale solar/thermal power plants. Using concentrated solar power (CSP) technology, SkyFuels hopes to revolutionize solar power. Parabolic troughs called "skytroughs" are used to collect and concentrate solar energy by using glass-free mirrors. The energy is focused on a linear power tower, which will heat water or another thermal substance to create steam used to drive turbines to generate electricity. A thermal storage liquid, currently under development, might be useful to continue to generate heat and electricity during times when the sun is not shining.

Formed in 2005 and incorporated in 2006, the company has offices in New York City, Albuquerque and Wheatbridge, Colorado.

The company intends to make Albuquerque the headquarters. Factors in this decision are the availability and price of land as well as good solar resources.

A prototype is expected this year, designed by Randy Gee.

DOE Global Nuclear Energy Partnership Proposal

David Kessel of the Carlsbad Programs Group, Sandia National Laboratories, presented the Global Nuclear Energy Partnership Proposal (GNEP). The proposal is to develop reactors that would recycle spent nuclear fuel, relieving states and countries of much of the need to build conventional disposal facilities, as well as generating electricity.

The partnership includes the United States, China, France, Japan and Russia, all of which have issued a joint statement in support of GNEP. In September, other countries were added, including Australia, Bulgaria, Ghana, Hungary, Jordan, Kazakhstan, Lithuania, Poland, Romania, Slovenia and Ukraine.

Because the reactors will not separate plutonium, the program cannot contribute to plutonium enrichment to produce weapons.

Transuranic (TRU) elements will be recycled from the spent fuel to generate electricity. Senator Sanchez interrupted the presentation, asking Mr. Kessel to sum up his presentation and describe how it would affect the economic development of New Mexico.

Mr. Kessel said that if a GNEP facility could be built between Carlsbad and Hobbs, it would complete the "critical mass" to establish a nuclear cluster in southeastern New Mexico.

Senator Leavell said the impact on New Mexico's economy would be huge because the project would cost up to \$16 billion, with a minimum of opposition and strong community support. The selection of sites will take place in spring of 2008.

Waste Isolation Pilot Plant (WIPP) Status and Plans

Dave Moody, Carlsbad WIPP office manager, presented his update to the committee along with his handout, "WIPP Status and Update". The handout is in the meeting file.

The WIPP site stores TRU waste, primarily in the form of discards, tools, rags, debris and sludge.

Seven million loaded miles have been completed without any major accidents. He did not elaborate on any of the minor accidents. The TRU waste program is a complex effort involving 984 employees.

Senator Leavell said that the DOE and Westinghouse and other contractors are good citizens of the community and that many of the amenities available in Carlsbad are due to the money spent by the employees of WIPP over many years.

Algae to Biodiesel Program

Doug Lynn, interim executive director of the Center of Excellence for Hazardous Materials Management, gave the committee a brief explanation of the program before taking the committee on a tour of the NMSU Science Center in Artesia.

The use of biodiesel results in reduction of regulated emissions, a 78.5% reduction in carbon dioxide emissions and a positive energy balance.

Microalgae is grown in small tanks with other nutrients pumped in to increase growth. The mature algae is pressed to squeeze out a substance that can be added to biodiesel and used as fuel. As understanding of the algae is increased, larger quantities can be grown in bigger ponds to produce more.

Mr. Lynn asked the committee to support full funding of the Energy Innovation Fund on which the project depends. He noted that during the previous legislative session, the Senate Finance Committee reduced the funding by \$8 million.

The committee recessed for a tour of the NMSU Science Center at 3:28 p.m.

Tour of Algae to Biodiesel Project at NMSU Science Center

Mr. Lynn and Dr. Robert Flynn gave a tour of the NMSU experimental agricultural farm, which hosts an algae-biodiesel research program. The program is attempting to extract fuel from an algae type called nanochloropsis, a genetic variant of naturally growing Japanese chlorella. The algae is contained in ponds and is analyzed by an on-site aquatic biologist in collaboration with a Los Alamos National Laboratory (LANL) geneticist. Once the algae is harvested, it will undergo oil extraction, which will be turned into biofuel. Mr. Lynn said the greatest challenge is how to break down the algae cells to release oil. Mr. Lynn believes the center is 18 months from proof of principal.

One legislator asked about water use. Mr. Lynn said the center is working on securing water rights with the state engineer. He explained that the optimal water for growing this particular algae is brackish, ideally at 3%. However, the center is working on cultivating the algae in ground water that is 30% brine, which would allow the project to operate without using beneficial-use water. With the growing demand for fuel, the state has invested half its Alternative Energy Fund. The military consumes 20% of mobile fuels. This has potential to be a viable solution.

Tuesday, September 25 — Anderson Museum, Roswell

The meeting was called to order by Senator Sanchez at 9:13 a.m. at the Anderson Museum in Roswell, New Mexico.

Superintendent Gottlieb of the Roswell School District welcomed the committee and apologized for not being able to stay for the rest of the meeting. He announced that 100% of the schools for which he is responsible made average yearly progress for the No Child Left Behind Act this year. His announcement received the applause of the committee. He then added, "Our two high schools that didn't make it, it's because of special education".

Welcome

Roswell Mayor Sam LaGrone welcomed the committee. Mayor LaGrone introduced Robert "Bob" J. Donnell, executive director of the Chaves County Development Foundation.

Mayor LaGrone said that Roswell has a population of approximately 53,000. The closure of Walker Air Force Base was an almost insurmountable economic development obstacle for the region. The city has diversified its economy so that no single business closure can affect the entire area. Roswell also has the biggest mozzarella cheese plant in the world.

Mayor LaGrone also noted that Roswell now has air service, which makes a big difference when all of the major airports are about 200 miles away, including Albuquerque, Lubbock, Midland/Odessa and El Paso.

Mr. Donnell pointed out that Roswell's unemployment rate is between 3.7 and 3.9%. He mentioned Berkin Solar as a recent arrival at the air center. Berkin Solar was interested in Roswell because the city now has air service, which is necessary for Berkin Solar's international clients. The training available at the Roswell campus of Eastern New Mexico University was also a factor, as well as the fact that a suitable building was available.

Retention and expansion of current businesses remain a critical factor in economic development.

Dairy Industry Update

Sharon Lombardi, lobbyist for the Dairy Producers of New Mexico, presented the current status of the dairy industry. Her handout is in the meeting file.

Although New Mexico has always had dairies, there was an influx during the 1990s, partially because of cheap land and the availability of high-protein alfalfa. The dry, dependable weather is also conducive.

There are approximately 172 dairies in the state, and although Roswell has the largest herd size in the nation, the dairy producers of New Mexico are still family-owned and operated.

The dairy producers of New Mexico are eighth in the nation for cheese production and seventh for milk. The total dollar-amount impact on the state is \$2.64 billion, with a payroll of \$75 million per year.

The cheese plant in Clovis is the largest in North America for cheddar cheese.

The dairy industry affects other industries because it requires animal feed, equipment, plumbing and the services of veterinarians and dairy nutritionists.

All of the milk produced is used inside the state, meaning that the money generated stays in New Mexico.

One difficulty facing the dairy industry is the availability of legal workers who have experience caring for animals.

Representative Cote asked about organic milk producers. Ms. Lombardi replied that while there are a few of them that get paid very well for their product, there is really no difference in the milk.

Another difficulty is that the price of corn has doubled. Because the dairies sell to a co-op, they cannot increase the price of milk. With low prices, high costs for utilities and high transportation costs, local dairy farms have not done well for several years.

Economic Development and Renewable Energy Update

Sonia Phillips and Mike McLeod, representatives for Xcel Energy, presented the committee with an update on the company's activities regarding renewable energy.

Mr. McLeod outlined Xcel's recent changes in organization. The company has returned to a three-region model, each with its own manager. A total of 65 employees will be added in 2007 and 2008, including engineers, designers, account managers, community service managers and others.

Xcel will be purchasing power from a new generation plant in Hobbs, which is necessary to keep up with demand. Lea Power will also be generating power, which will bring the number of power plants in the area up to three. In 25 years, Xcel will have the option of purchasing the plant, which is a "dry plant", meaning that it reuses water for cooling in a system like a car's radiator. Dry systems use 90% less water.

The construction of this plant will result in lots of long-term job opportunities.

Xcel has a rate case before the PRC asking to raise overall revenues by 6.6%. A final order on that case is expected in May 2008. The last rate case in New Mexico was in December 1998, which resulted in a \$6 million base-rate reduction.

Ms. Phillips explained that Xcel is a leader in renewable energy, with a solar power facility capable of eight megawatts outside of Alamosa, Colorado. Eighty megawatts of capacity is gained from wind turbines outside of Tucumcari and on San Juan Mesa near Elida. A 2.6-megawatt biomass is planned near Portales.

Clean Energy Incentives and Other Updates from the Energy, Minerals and Natural Resources Department (EMNRD)

Joanna Prukop, secretary of EMNRD, and Craig O'Hare, special assistant for renewable energy, gave the committee members a handout entitled, "Energy in New Mexico: Trends, Vision and Opportunities". The handout is in the meeting file.

Although there are plans for a biomass power plant, geothermal resources in New Mexico have yet to be studied. New Mexico is second only to Arizona for potential solar energy. Spain and Germany already have working solar power plants, and their sunlight is not nearly as powerful as that found here. Arizona is number one in the nation for potentially developable solar resources. Power generation from wind has exploded.

The availability of power will have an effect on national energy security. Plants powered by fossil fuels continue to emit nitrogen oxide, sulfur dioxide, mercury, particulates and ozone. Greenhouse gases produced will continue to speed up climate change. Short-term thinking will produce disastrous results for the next three generations.

Although nuclear power remains an option, and PNM has nuclear energy in its portfolio, disposal of nuclear waste is a problem that keeps getting worse, not better.

Every person in the state could do more to conserve energy.

Although there was an initial euphoria about using ethanol, the difficulties of transport and the concerns of replacing a food crop continue to hinder its future.

The algae-to-biodiesel project has the potential to produce a new fuel without the conflict of replacing a food crop.

The committee adjourned for a tour of oil-related infrastructure at 12:08 p.m.